

Breakout Discussions: President's Management Agenda and Citizen-Centered Government

5. Promoting Excellence in Citizen-Centered Service

Building High Performance Organizations

The presenter explained the High-Performance Organization (HPO) Change Model using a case study – Charleston Naval Shipyard. The case study documented the changes made to move the shipyard toward higher performance and captured practical lessons learned during the effort. The thought process, the change model, and road map used at Charleston are of benefit to those beginning the journey toward higher performance in their organizations. Focus on customer needs and delivering “value” to customers is one of the 3 essential elements of the HPO Change Model.

The HPO Change Model was developed by Dr. John Pickering, President of the Commonwealth Center for High-Performance Organizations, Inc. Dr. Pickering developed the model to help managers view and diagnose their organizations. The model and the theory behind it are now new; they are loosely based on Rensis Likert's *Causal Model*, Marvin Weisbord's *Six-Box Model*, the McKinsey Company's *Seven S Model*, and others in the management consulting arena. But Dr. Pickering found from working with many top managers in both the public and private sectors that most managers are not familiar with management concepts. What managers need is a clear, concise conceptual model that synthesizes the literature about building high-performance organizations into a diagnostic tool they can use in understanding their own organizations. Applying the HPO Change Model requires that members at all levels of an organization agree on “*what high performance is.*” They must agree on this for the organization as a whole, for their individual units, and for themselves, personally. Without such an understanding and common agreement, there is little chance that individual members of the organization, acting alone or in isolation, will arrive at a common understanding of what it is much less how to achieve it. So organizations wishing to move toward higher performance must establish a collaborative process for articulating and sharing a common organizational vision of what high performance is, for creating visions indicating how each unit fits into the whole, and for aligning individual members with the visions. Organizations seeking high performance must address two questions: 1) according to whom are we high performance? and 2) how will we know if we are moving toward it?

The HPO model helps get the “what-is-high-performance-for-us” discussion started by naming 3 generic indicators of high performance. Based on Dr. Pickering's experience, the HPO approach argues that any organization must include the following in its definition of high performance if it has any hope of achieving it:

- superior product and/or service quality
- focus on delivering outstanding customer “value” (satisfaction, responsiveness, schedule, courtesy, etc)
- Sound financial performance

Leadership in the HPO Model is a key – perhaps the key – change lever in building high-performance organizations. In fact, the HPO Approach holds that unless an organization makes full and correct use of the leadership lever, little else matters because the change effort is unlikely to be successful. It must be noted, however, that the way the term “leadership” is used in HPO differs from many other management approaches; it is used in HPO as a term of art having 3 parts.

- a specific set of leadership functions (work which must be performed at all levels)

- a set of beliefs about the nature of people and attitudes toward work (motivation, distribution of knowledge, creativity, how work should be structured to get done)
- need to establish organizational mechanisms for sharing and exercising power and authority at every level

Leadership in the HPO Approach is seen as shifting from being the responsibility of individuals in positions of authority acting alone to naturally-occurring groups of “allies” – **Leadership Teams** -- sharing authority and acting collaboratively. The core notion is that individuals at all levels join with colleagues to become “stewards” of their units and the larger organization.

A central tenet of the HPO approach is that training alone will not change anything. Beyond the training, the theory, philosophy, and principles underlying the HPO approach must become the core of a cultural process in the organization. At Charleston, the plan for “rolling out” HPO included forming leadership teams at all levels to act on the principles presented in the training (a sequence of a 3-day theory-based seminar and 5-day interactive team skills workshops with the senior leader co-teaching every course for senior managers). HPO training was supplemented by supervisory skill development training for managers who lacked these skills. The purpose of the leadership teams was to ensure that the work of leadership would start getting consistent attention at all levels of the organization. The first change team established was a relatively Leadership Council made up of top managers to help guide the senior manager guide the shipyard toward higher performance. The first task was to create the vision and values statement, including a definition of high performance for the organization.

Because most organizations have an ingrained functional hierarchy and top-down autocratic leadership philosophy, the HPO approach tries to create a “protected environment” – a mental space – outside the traditional hierarchy in which Leadership Teams can learn to do the work of leadership. At Charleston, this space was created by establishing a set of operating guidelines for all teams who would be doing leadership work.

Once the leadership teams were formed, it was necessary to ensure that they worked on the “right stuff:” the work of leadership. Employees had to move beyond near-term tasks and deadlines and crisis management to attention to longer-term issues that could prevent many crises from every occurring. These issues include focusing all members of the organization on creating partnerships with customers to better understand and meet their needs; articulating a clear vision of what high performance is, why it is important for the organization, and aligning all employees with it, and using the organization’s vision and values to reinvent its business strategies and processes/organizational structures/management systems/work processes.

In the HPO approach, leadership philosophy is a set of organizational beliefs which are the basis for the organization’s strategies, structures, systems, and behaviors so that these are shared by managers and staff. Frequently, the culture dates back to the beginning of the organization and is not really shared even by the senior manager. The HOP Approach used the work of Douglas McGregor (“Theory X, Theory Y” from The Human Side of Enterprise, 1960) as researched and expanded by Rensis Likert as the theoretical base from which to view, discuss, diagnose, and finally initiate change in an organization’s leadership philosophy. How organizations behave toward employees, customers, and other stakeholders with regard to those basic beliefs determine the leadership philosophy. Likert’s approach treats leadership philosophy as a continuum with 4 possible positions, which makes moving from one position on the continuum easier than moving from one end to the other – total control of employees

(Theory X and System 1) to benevolent autocratic (System 2) to consultative (System 3) to Participative (Theory Y and System 4). The HPO approach holds that organizations must move at least to the consultative leadership philosophy with managers consulting as widely as possible on “near-term” urgencies and making the decision based on information gathered if a consensus does not emerge. The best approach is a combination of 3 and 4. This does not mean chaos as control-oriented managers fear. It means building a shared vision of where the organization needs to go, constructing an organizational climate and culture with operating values that enable all employees to actively and creatively participate in by removing bureaucratic controls within the boundaries established by the vision and values, which become the authority for actions. Managers remain accountable for all decisions.

The HPO approach views vision and values as performing the following functions:

- align members by defining what high performance means for the organization;
- release members’ energy by linking them to why high performance is necessary;
- identify who the customers are and what they value, and
- form the basis of a covenant on how members will treat each other and customers.

When Leadership Teams acquire team skills, team members need training on procedural, problem-solving, and behavioral skills to be effective. At Charleston, the Continuous Learning and Improvement Process (CLIP) training module (5-day) developed by Gerry Brokaw (Coopers & Lybrand’s Federal Government Practice and Organizational Change Management Group) gave employees a basic “survival” level of team skills. This had to be supplemented with frequent direct interventions by organizational development specialists to help teams through initial startup difficulties and to hold a “mirror” up to teams periodically so they could figure out why things were not working smoothly. The most difficult problem was from keeping the teams from losing their leadership focus and moving back to the more comfortable level of process and production.

In the HPO approach, once the organization has wrestled with the “softer” more conceptual change levers, it is time to deal with the “harder” levers – bringing the organization’s strategy, structure, and systems into alignment with the vision and values. Here is where the ideas get turned into action and the organization actually changes. The organization must develop an effective strategic plan with actionable goals and objectives and restructure the organization (if needed) to better support the plan. Redesigning and reengineering work processes and support systems then can take place to improve performance. This is the time for challenging old paradigms, for learning and experimentation, for benchmarking, for work process redesign, and for vision-driven change. By this point, top managers should be functioning as an integrated Leadership Team. Work should begin rolling out the HPO process and applying techniques like Total Quality Management/Leadership (TQM/TQL), Continuous Process Improvement (CPI), Business Process Redesign (BPR), Activity Based Costing (ABC), and benchmarking and studying best practices for improving work processes and customer service. This is also the time for a major review and alignment of support systems – human resources, financial management, budgeting, purchasing, supply, information management, and facilities management – with the organization’s leadership philosophy, vision, and values.

Lessons learned at Charleston were many and varied and some had global application for other organizations. The more transferrable lessons include the following:

1. Becoming a HPO does not guarantee survival – external drivers may determine

2. Training is necessary but is not organizational change – it is just one tool
3. Must keep momentum going – leadership teams' work must be seen as "real" as accomplishing tasks
4. Critical importance of improving labor relations to change process
5. Importance of changing support systems early in the process to align with vision/values
6. Change programs focusing on altering strategies, structures, and systems without first defining high performance, getting leadership right, and articulating shared vision and values will not significantly change the organization
7. Learning, experimentation, and pilot projects which result in gradual change is more effective than radical change, but the gradual change must be pushed through to completion or the heady, exciting early progress will not stick and the organization will be "recaptured" by the old beliefs, values, and behaviors buried in the unchanged organizational systems.